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SUBJECT: TEMASEK UPDATES CHARTER TO REFLECT COMMERCIAL FOCUS

REF: A) SINGAPORE 695; B) SINGAPORE 704

11. (SBU) Summary: Singapore sovereign wealth fund Temasek Holdings revised its charter to reflect what it called "a changed environment," downplaying its former leadership role in managing Singapore's state-owned companies and guiding the country's economic development. The new charter emphasizes the fund's commercial principles and takes pains to clarify the absence of political influence in its investment decisions. Temasek's assets have grown increasingly international in nature and the fund is looking to ease concerns overseas that its investments may have a political bent. Within Singapore, Temasek still has an iron grip on many of Singapore's top companies, and although the fund says it no longer plays a role in protecting Singapore's "critical resources," it continues to have considerable stakes in and influence over the dominant Singapore companies in strategic industries. End Summary.

Comparing Charters: 2009 versus 2002

12. (SBU) Temasek Holdings, one of Singapore's two sovereign wealth funds, revised its charter August 25, altering its previously stated mission of managing GOS investments in companies and playing a development role in Singapore's economy. The new charter describes the fund as an investment company managed on "commercial principles," aiming only to deliver long-term value for its stakeholders. The new charter makes no mention of Temasek's sole shareholder, the Government of Singapore, and in fact eliminates all reference to Singapore. Temasek released a separate background paper on the charter that stressed that Temasek is independently managed and that the Singapore government does not involve itself in Temasek's business decisions.

13. (SBU) Temasek updated the original 2002 version to reflect what Chairman S Dhanabalan said is a changed environment and context for Temasek's investments. The 2002 charter had stressed the role Temasek played in controlling companies considered critical to Singapore's security and economic well-being. It outlined that Temasek and GOS ownership and control would continue in Singapore companies that were critical to job creation and Singapore's security or economic well-being (e.g., utilities), or where ownership facilitated GOS efforts to achieve "public policy objectives" (e.g., public broadcasting and public housing). Temasek would also seek to expand internationally certain Singapore companies, such as DBS Bank.

14. (SBU) In contrast, the 2009 context document focuses on Temasek's role as an investor with obligations to its "stakeholders," including bondholders, partner companies, and portfolio companies and their boards. A background paper with the new charter states that although the Singapore Government is the fund's sole shareholder, it does not "direct or influence" Temasek's business and investment decisions. The new charter indicates that Temasek may increase, hold or reduce investments in companies and

other assets, or "pioneer" new businesses and products to add shareholder value. However, the 2009 charter eliminates language that outlined Temasek's plans to divest businesses that were "no longer relevant" or lacked international growth potential. Chairman Dhanabalan said at a press conference that there was no longer any discussion about which companies were necessary for the government to hold on to, and any future divestments would be made from an investment perspective. The new charter also indicates that Temasek will be "an active shareholder" in the companies in which it has a stake, but CEO Ho Ching later said that Temasek would be involved only in decisions that would normally be taken to shareholders.

Assuaging International Concerns

15. (SBU) Temasek restated the fund's goals to ease international concerns over potential political motivations by sovereign wealth funds. In an August 26 meeting with Charge, Temasek Senior Managing Director Michael Dee said Temasek had run into difficulties with overseas investments in the past because of political perceptions that its investments could be used as a tool of the Singapore government. He highlighted the controversy surrounding the 2006 purchase of former PM Thaksin's telecommunications company in Thailand and anti-trust cases brought against an Indonesian investment. Dee said that Temasek strategy going forward would be to steer clear of high profile international investments, but to continue its large overseas investment portfolio. Dee said also that although CEO Ho Ching has close political ties (her husband is PM Lee Hsien Loong) and voted on big investment decisions as a board member and CEO, she had little influence on investment decisions and rather played a broader strategic role.

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Temasek Under Fire at Home

16. (SBU) The new charter comes on the heels of CEO Ho Ching's decision to remain at Temasek, and her designated successor Charles "Chip" Goodyear's abrupt departure (Ref A). Temasek, and particularly Ho Ching, had been severely criticized earlier this year for substantial losses at the fund, particularly ill-timed investments in the financial sector. Critics also hit Finance Minister Tharman last month after a sitting of Parliament where he declined to provide details about the "strategic differences" that led to Goodyear's departure. Online bloggers ripped him and Temasek for a lack of transparency and accountability when Tharman responded to MPs' questions by saying, "People do want to know, there is curiosity, it is a matter of public interest. That is not sufficient reason to disclose information...".

Temasek Still in Control

17. (SBU) Approximately two-thirds of Temasek's investments are now overseas, but the fund remains the biggest shareholder in five of Singapore's ten largest publicly traded companies and has majority stakes in blue chip companies like Singapore Telecommunications (SingTel) and Singapore Airlines. Dhanabalan said Temasek would continue to hold the companies as long as they remained competitive and he saw no reason to divest the companies. Dhanabalan explained at a press conference that the focus in the 2002 charter had been on the competition from Temasek-owned companies and other government-linked companies that was crowding out other private enterprise in Singapore. Temasek sought to divest certain sectors and take the rest of its stable of companies international, a goal in which it has largely succeeded.

18. (SBU) Temasek's Dee told Econoff that the GOS had agreed to the new charter and its emphasis on commercial principles, and would not object if Temasek decided to sell off its stakes in companies that may once have been considered to be vital to Singapore's national interest. He cited Temasek's divestiture of Singapore's power sector earlier this year as an example, although Temasek played a leading role in structuring a regulatory framework before selling the power companies. CEO Ho Ching asserted that Temasek had few

similar remaining assets that could be considered critical resources. However, Temasek maintains majority or 100 percent stakes in companies that dominate several strategically important industries, including: port-operator PSA; Neptune Orient Lines (shipping); SMRT Corporation (public transport); MediaCorp (broadcasting); Singapore Power; SingTel; Singapore Airlines and airport ground handler Sats (Ref B); and Chartered Semiconductor.

19. (SBU) Comment: Temasek claims that it views its Singapore investments as just that, but the Singapore government has a long history of supporting its government-linked corporations and may not have such a pragmatic view. Temasek has long held that its overseas investments are made strictly on a commercial basis, and they likely are. However, the GOS's management of its domestic investments with a political bent may be a hard habit to break.

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